



STATE OF UTAH INSURANCE DEPARTMENT
REPORT OF FINANCIAL EXAMINATION

of

JAZZ REINSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2019

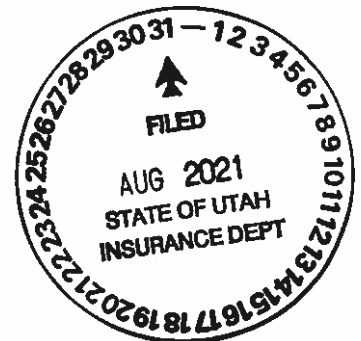


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August 9, 2021

Honorable Jonathan T. Pike, Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300
Taylorsville, UT 84129

Commissioner:

Pursuant to your instructions and in compliance with Utah Code § 31A-2-204, a multi-state examination, as of December 31, 2019, has been made of the financial condition and business affairs of:

JAZZ REINSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as “the Company”, and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

This full-scope, multi-state examination of the Company was conducted by representatives of the Utah Insurance Department (Department) and covers the period of April 13, 2017 (inception) through December 31, 2019, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. This examination was part of a coordinated examination led by representatives from the Nebraska Department of Insurance. This was the first full-scope examination of the Company.

Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination, however, does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such

adjustment will be documented separately following the Financial Statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204, and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other insurance regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings or recommendations for inclusion in this report.

COMPANY HISTORY

General

The Company is a pure captive that received its Certificate of Public Good from the Department on April 3, 2017. It was incorporated on April 4, 2017, and received a Certificate of Authority from the Department on April 13, 2017. The Company is 100% owned by its immediate parent, Sentinel Security Life Insurance Company (Sentinel), and was established to reinsure affiliates.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Dividends and Capital Contributions

Sentinel contributed the required initial capitalization of \$250,000 to the Company in 2017.

Sentinel later contributed \$7,000,000 of additional paid-in capital to the Company during 2019. All funds were transferred during the year except \$300,000 which was paid in January 2020.

The Company neither paid nor declared dividends to policyholders or stockholders during the examination period.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

Board of Directors

The bylaws of the Company require between three (3) and five (5) directors. The following persons served as directors for the Company as of December 31, 2019:

Name and Location	Principal Occupation
Kenneth King <i>Pleasantville, NY</i>	President, Chairman of the Board <i>Advantage Capital Holdings LLC</i>
Sabrina Lemos <i>Salt Lake City, UT</i>	Treasurer <i>Sentinel Security Life Insurance Company</i>
Michael Saliba <i>Lake Forest, IL</i>	Chief Operating Officer <i>Advantage Capital Holdings LLC</i>

Committees

The bylaws of the Company do not authorize Board of Directors' committees.

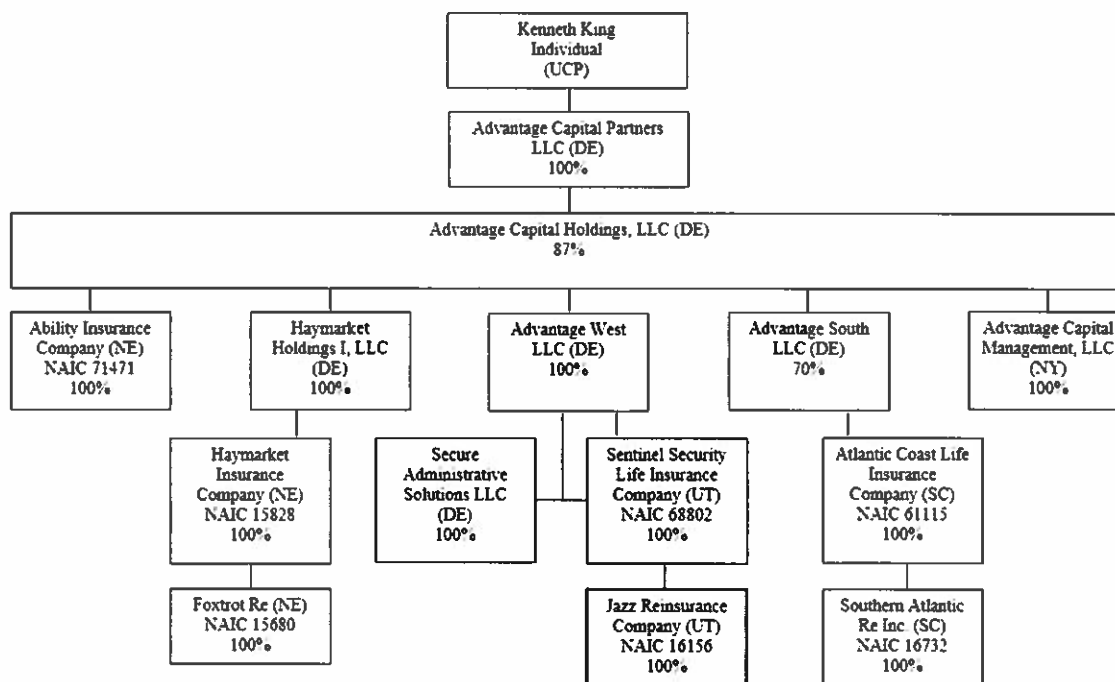
Officers

The bylaws of the Company provide for officers to consist of a president, vice president/chief executive officer, and secretary/treasurer. The following persons served as officers of the Company as of December 31, 2019:

Name	Title
Kenneth King	President
Sabrina Lemos	Treasurer
Michael Saliba	Vice President
Francisco Mayer	Secretary

Holding Company

The Company is part of an insurance holding company system as defined in Utah Code § 31A-1-301(97). An abbreviated organizational chart illustrating the holding company system as of December 31, 2019, follows:



Transactions and Agreements with Affiliates

The following affiliate agreements were in-force as of December 31, 2019:

1. Effective April 4, 2017, the Company entered into an Administrative Expense Agreement with Sentinel. Pursuant to the terms of the agreement, Sentinel is reimbursed for costs it pays on behalf of the Company, including annual filings, filing fees and renewal fees.
2. Effective March 1, 2019, the Company entered into an Investment Management Agreement with Advantage Capital Management, LLC (“ACM”). Pursuant to the terms of the agreement, the Company pays ACM to manage modified coinsurance funds associated with annuities assumed from Sentinel.

See the REINSURANCE section below for affiliate reinsurance agreements.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed only in the state of Utah and has not written any direct business since it was incorporated.

REINSURANCE

The Company assumes blocks of business from Sentinel and then retrocedes those policies to unauthorized reinsurers. The following reinsurance agreements were in-force as of December 31, 2019:

Assumed

Effective March 31, 2019, the Company entered into Coinsurance Agreements with Sentinel to assume certain blocks of fixed and indexed annuities. Total reserves held as of December 31, 2019 were \$748,379,281. Reinsurance premiums for the year ended December 31, 2019 were \$195,461,027.

Ceded

Effective March 31, 2019, the Company entered into Coinsurance with Funds Withheld Agreements with Knighthead Annuity & Life Assurance Company, an unauthorized reinsurer domiciled in the Cayman Islands, to cede 100% of certain fixed and indexed annuities originally assumed from Sentinel. As of December 31, 2019, the total reserve credit taken was \$748,379,281 and funds withheld under coinsurance was \$753,236,935. Reinsurance premiums for the year ended December 31, 2019 were \$195,461,027.

See the SUBSEQUENT EVENTS section for changes to the reinsurance program during examination fieldwork.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2019. The Company did not begin filing statutory statements until 2019 so there is no Reconciliation of Capital & Surplus information available for inclusion in this report. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

JAZZ REINSURANCE COMPANY
BALANCE SHEET
as of December 31, 2019

ASSETS

	<u>Net Admitted Assets</u>
Bonds	\$ 454,844,488
Mortgage loans: first liens	174,965,779
Cash, cash equivalents and short-term investments	58,945,843
Other invested assets	63,190,814
Investment income due and accrued	5,712,021
Other amounts receivable under reinsurance contracts	5,056,211
Receivables from parent, subsidiaries and affiliates	<u>300,000</u>
Total assets	\$ 763,015,156

LIABILITIES, SURPLUS, AND OTHER FUNDS

	<u>Current Year</u>
General expenses due or accrued	\$ 62,292
Taxes, licenses, fees due or accrued, excluding federal income taxes	44,257
Asset valuation reserve	6,996,000
Funds held under reinsurance treaties with unauthorized reinsurers	753,236,935
Payable to parent, subsidiaries and affiliates	773,236
Payable for securities	<u>1,648,436</u>
Total liabilities	762,761,156
Common capital stock	250,000
Gross paid in and contributed surplus	7,000,000
Unassigned funds (surplus)	(6,996,000)
Surplus	<u>4,000</u>
Total capital & surplus	<u>254,000</u>
Total liabilities, surplus and other funds	<u>\$ 763,015,156</u>

JAZZ REINSURANCE COMPANY
SUMMARY OF OPERATIONS
for the Year Ended December 31, 2019

	<u>Current Year</u>
Net investment income	\$ 23,125,142
Commissions and expense allowances on reinsurance ceded	<u>8,085,640</u>
Total revenue	\$ 31,210,782
Commissions and expense allowances on reinsurance assumed	\$ 7,959,275
General insurance expenses and fraternal expenses	3,810
Insurance taxes, licenses and fees, excluding federal income taxes	5,370
Aggregate write-ins for deductions	<u>23,242,327</u>
Total benefits, increase in aggregate reserves, and expenses	<u>31,210,782</u>
Net income	<u>\$ 0</u>

COMMENTS ON FINANCIAL STATEMENTS

No adjustments were made to capital & surplus as of December 31, 2019 as a result of the examination.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to the examination period:

- During examination fieldwork, Secure Administrative Solutions LLC, an affiliate, was sold to a third party and is no longer part of the holding company system.
- During examination fieldwork, the Audit Committee was transitioned from Sentinel to the A-CAP level and now includes all insurers in the group.
- Effective August 31, 2020, the Company entered into a Modified Coinsurance Agreement with 777 Re, LTD, an unauthorized reinsurer domiciled in Bermuda, to cede certain indexed annuities originally assumed from Sentinel.
- Effective September 30, 2020, the Company entered into a Modified Coinsurance Agreement with Aureum Reinsurance Company, LTD, an unauthorized reinsurer domiciled in the Cayman Islands, to cede certain indexed annuities originally assumed from Sentinel.

ACKNOWLEDGEMENT

The lead state contracted with Noble Consulting, LLC for the information systems review, and with Risk & Regulatory Consulting for the actuarial review. The Department relied on the testing performed by the lead state. Malis Rasmussen, MSA, CFE, SPIR, Chief Examiner, supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

A handwritten signature in black ink that reads "Natasha Robinson". The signature is written in a cursive style with a large, stylized 'N' and 'R'.

Natasha Robinson, CFE, PIR
Examiner-in-Charge
Utah Insurance Department